



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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January 11, 2002

TO: Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: JANUARY 10, 2003 REVENUE COLLECTION REPORT

General Fund-State tax receipts totaled \$963.3 million in the December 11- January 10 collection period. This was \$2.2 million above the estimate for the month. Collections this month erroneously included some local sales tax revenue (included in the "other" category in Table 1), overstating reported General Fund-State receipts by \$12.6 million. Excluding this posting error, General Fund-State receipts were \$10.5 million less than the estimate for the month. Collections remain \$20.2 million above the forecast for the two months since the November forecast. For the month, Revenue Act (sales, business and occupation, use, public utility taxes, and other tobacco products), cigarette and property tax payments were weaker than expected. For the second straight month Real estate excise tax payments were significantly more than expected.

Although the U.S. economy, as measured by real Gross Domestic Product (GDP), has been growing the last four quarters, the labor market remains very weak. The U.S. economy lost 101,000 jobs in December, the largest decline since last February. The unexpectedly large loss in December follows a loss of 88,000 jobs in November. The U.S. unemployment rate remains at 6.0 percent in December, the highest level in eight years. Washington continues to lag the U.S. economy. Payroll jobs in Washington have declined three of the last four months and the Washington unemployment rate was 6.6 percent in November, well above the national average. Although the economy continues to struggle, revenue collections still appear to be on track.

Revenue Act collections in the December 11 – January 10 collection period were \$14.8 million less than expected. Revenue Act collections remain \$9.7 million above the forecast for two months since the November forecast due to an unexpected \$10 million audit payment last month. Collections this month primarily reflect November 2002 business activity of monthly taxpayers. Revenue Act receipts this period were 2.4 percent below the year-ago level, adjusting for legislation and special factors. This month's decline follows an increase of 4.1 percent last

month and is the first year-over-year decline in five months. Growth for the first five months of fiscal 2003 remains a positive 1.7 percent.

Overall preliminary data on taxes paid during the December 11- January 10 collection period indicates weakness compared to a year-ago. Total tax payments were below the year-ago level, however, there were considerable differences among sectors. The retail trade and food services category was flat compared to a year-ago. Excluding autos, tax payments of business in this sector were 2.2 percent above the year ago level. The auto sector reported a 7.5 percent decline in tax payments and general merchandise stores reported a 2.7 percent decline. On the positive side, electronic and appliance stores reported a 16.2 percent increase in tax payments and furniture stores reported a 9.3 percent increase. Non retailers as a whole reported a 3.3 percent decline in tax payments; however, there were large differences among sectors. Excise taxes paid by the manufacturing sector were 22 percent less than a year-ago based on preliminary data. The utilities sector reported a 9.0 percent decline and the information sector reported a 7.0 percent decline. On the other hand, the construction sector reported a 3.5 percent increase in tax payments and the wholesale trade sector reported an increase of 2.2 percent.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$16.9 million higher than expected this period. However, \$12.6 million of this total reflects a posting error (local sales tax receipts were incorrectly included in the General Fund-State total for the month of December) that will be corrected next month. Excluding this error, Non Revenue Act taxes were \$4.3 million above the forecast for the month and are \$10.5 million higher than expected in the two months since the November forecast. Real estate excise tax payments account for most of the higher than expected Non Revenue Act receipts. Real estate excise taxes were \$7.1 million higher than the forecast for the month and \$11.7 million above the estimate for the two months since the last forecast.

Real estate excise activity has been very strong the last three months. November 2002 real estate activity (closings in November reflecting payments to the state in December) was 31.6 percent above the year-ago level. Real estate activity was up 29.0 percent in October and 12.6 percent in September. Both the number of transactions and the value per transactions were up the last two months. Activity was strong throughout the state with only nine counties reporting a decline in activity in November. Taxable activity was up 14.9 percent in eastern Washington counties and 34.1 percent in western Washington counties. Activity was up 21.8 percent in King County and 37.6 percent in the rest of the state.

Department of Licensing collections were \$0.1 million above the forecast in December and are virtually right on the forecast cumulatively since the November forecast.

The attached Table 1 provides a comparison of collections with the November forecast for the December 11- January 10, 2003 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
January 10, 2003 Collections Compared to the November 2002 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
December 11 - January 10, 2003				
Department of Revenue-Total	\$960,465	\$962,591	\$2,126	0.2%
Revenue Act** (1)	645,856	631,093	(14,763)	-2.3%
Non-Revenue Act(2)	314,609	331,498	16,888	5.4%
Liquor Sales/Liter	7,778	8,250	473	6.1%
Cigarette	4,171	3,973	(198)	-4.7%
Property (State School Levy)	261,539	256,156	(5,383)	-2.1%
Estate	7,986	8,706	720	9.0%
Real Estate Excise	29,136	36,598	7,462	25.6%
Timber (state share)	0	0	0	NA
Other	3,999	17,814	13,815	345.4%
Department of Licensing (2)	654	759	105	16.0%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$961,119	\$963,349	\$2,231	0.2%
Cumulative Variance Since the November Forecast (November 11, 2002 - January 10, 2003)				
Department of Revenue-Total	\$2,032,748	2,065,568	32,820	1.6%
Revenue Act** (3)	1,278,530	1,288,259	9,729	0.8%
Non-Revenue Act(4)	754,218	777,309	23,090	3.1%
Liquor Sales/Liter	15,132	15,909	777	5.1%
Cigarette	8,062	7,884	(178)	-2.2%
Property (State School Levy)	617,187	612,631	(4,556)	-0.7%
Estate	14,771	13,047	(1,724)	-11.7%
Real Estate Excise	64,741	76,485	11,744	18.1%
Timber (state share)	2,053	2,233	180	8.8%
Other	32,273	49,121	16,848	52.2%
Department of Licensing (4)	1,238	1,236	(2)	-0.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,033,986	\$2,066,804	\$32,818	1.6%

1 Collections December 11 - January 10, 2003. Collections primarily reflect November 2002 activity of monthly taxpayers.

2 December 1-31, 2002 collections.

3 Cumulative collections, estimates and variance since the November 2002 forecast; (Nov. 11 - Jan. 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the November 2002 forecast;(November 2002 & December) and revisions to history

* Based on the November 2002 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
December 10, 2002 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
November 11 - December 10, 2002				
Department of Revenue-Total	\$1,102,975	\$1,102,977	\$2	0.0%
Revenue Act (1)	657,164	657,166	2	0.0%
Non-Revenue Act(2)	445,811	445,811	(0)	-0.0%
Liquor Sales/Liter	7,658	7,658	0	0.0%
Cigarette	3,910	3,910	0	0.0%
Property (State School Levy)-net	356,475	356,475	(0)	-0.0%
Property tax collections	356,475	356,475	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	4,340	4,340	0	0.0%
Real Estate Excise	39,887	39,887	0	0.0%
Timber (state share)	2,233	2,233	0	NA
Other	31,307	31,307	(0)	-0.0%
Department of Licensing (2)	454	452	(2)	-0.5%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$1,103,429	\$1,103,429	(\$0)	-0.0%

Cumulative Receipts: November 11 - December 10, 2002 & Revisions to History

Department of Revenue-Total	1,102,975	\$1,102,977	\$2	0.0%
Revenue Act (3)	657,164	657,166	2	0.0%
Non-Revenue Act(4)	445,811	445,811	(0)	-0.0%
Liquor Sales/Liter	7,658	7,658	0	0.0%
Cigarette	3,910	3,910	0	0.0%
Property (State School Levy)-net after transfer	356,475	356,475	(0)	-0.0%
Property tax collections	356,475	356,475	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	4,340	4,340	0	0.0%
Real Estate Excise	39,887	39,887	0	0.0%
Timber (state share)	2,233	2,233	0	NA
Other	31,307	31,307	(0)	-0.0%
Department of Licensing (4)	480	472	(8)	-1.8%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,103,455	\$1,103,449	(\$6)	-0.0%

Preliminary. Reported in the Dec. 10, 2002 collection report.

1 Collections Nov. 11 - Dec. 10, 2002. Collections primarily reflect October 2002 business activity of monthly taxpayers.

2 November 1-30, 2002 collections.

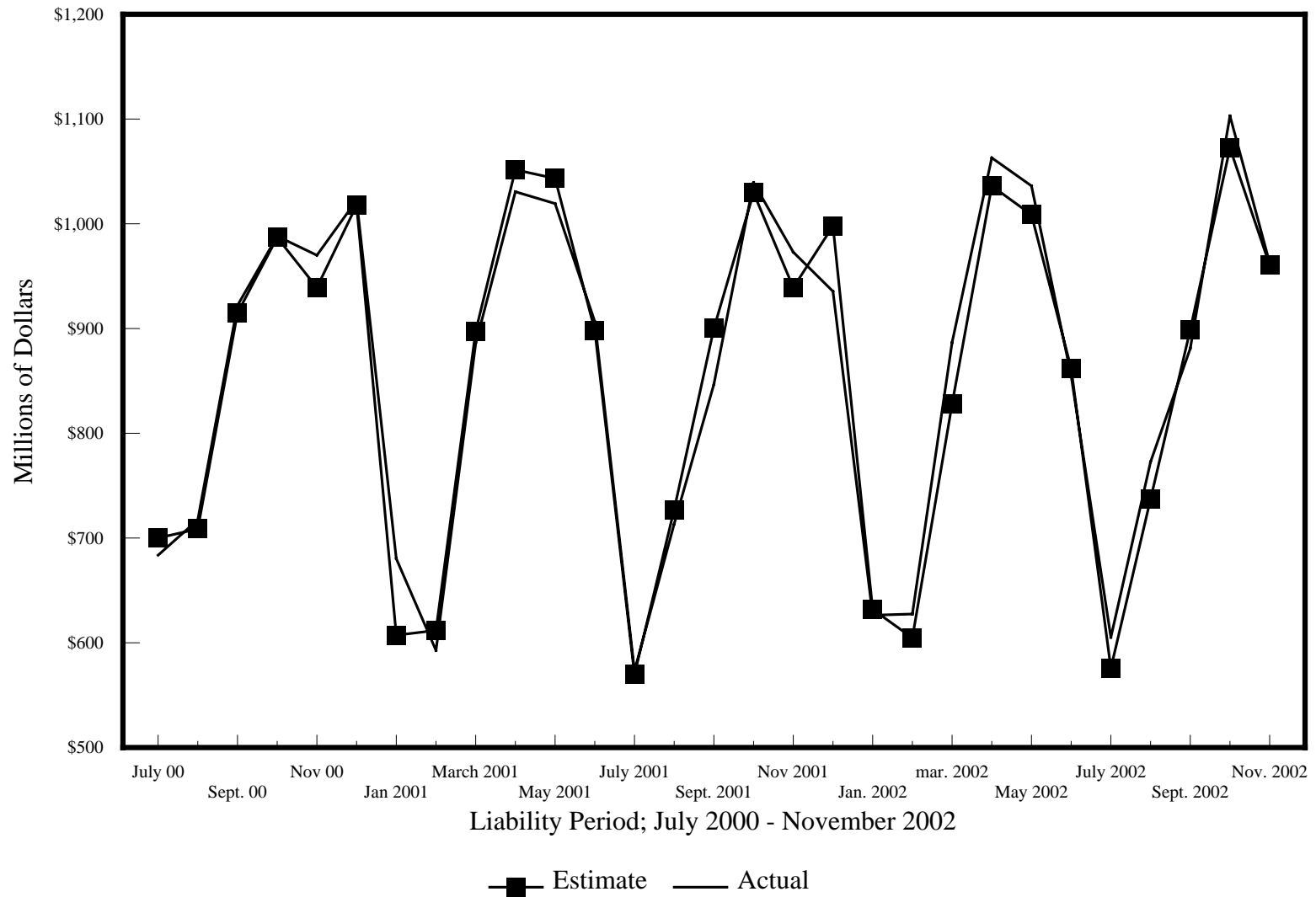
3 Cumulative variance for since the November 2002 forecast: November 11-Dec. 10, 2002 & revisions to history.

4 Cumulative variance: since the November 2002 forecast (November 2002) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

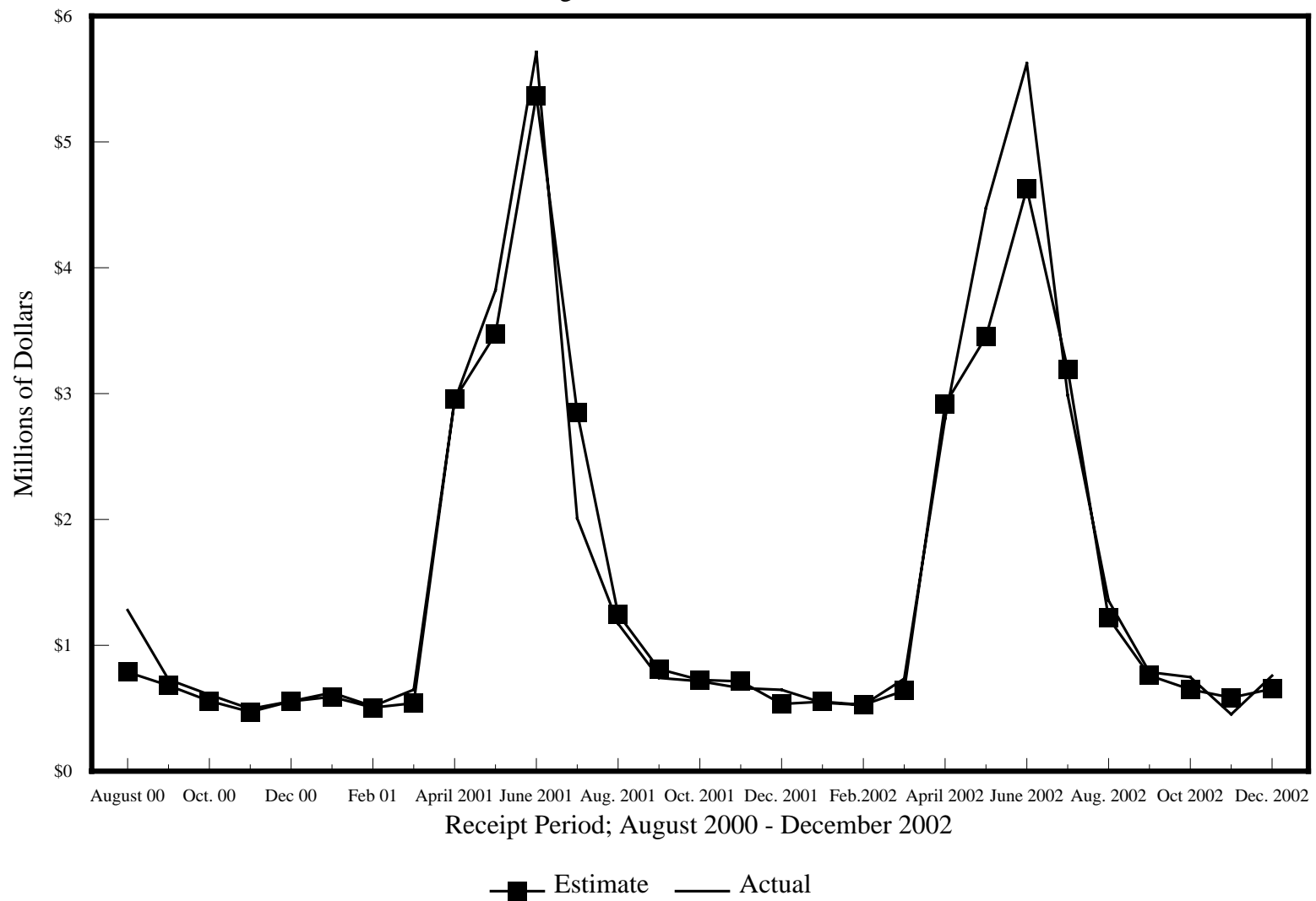
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to December 2002



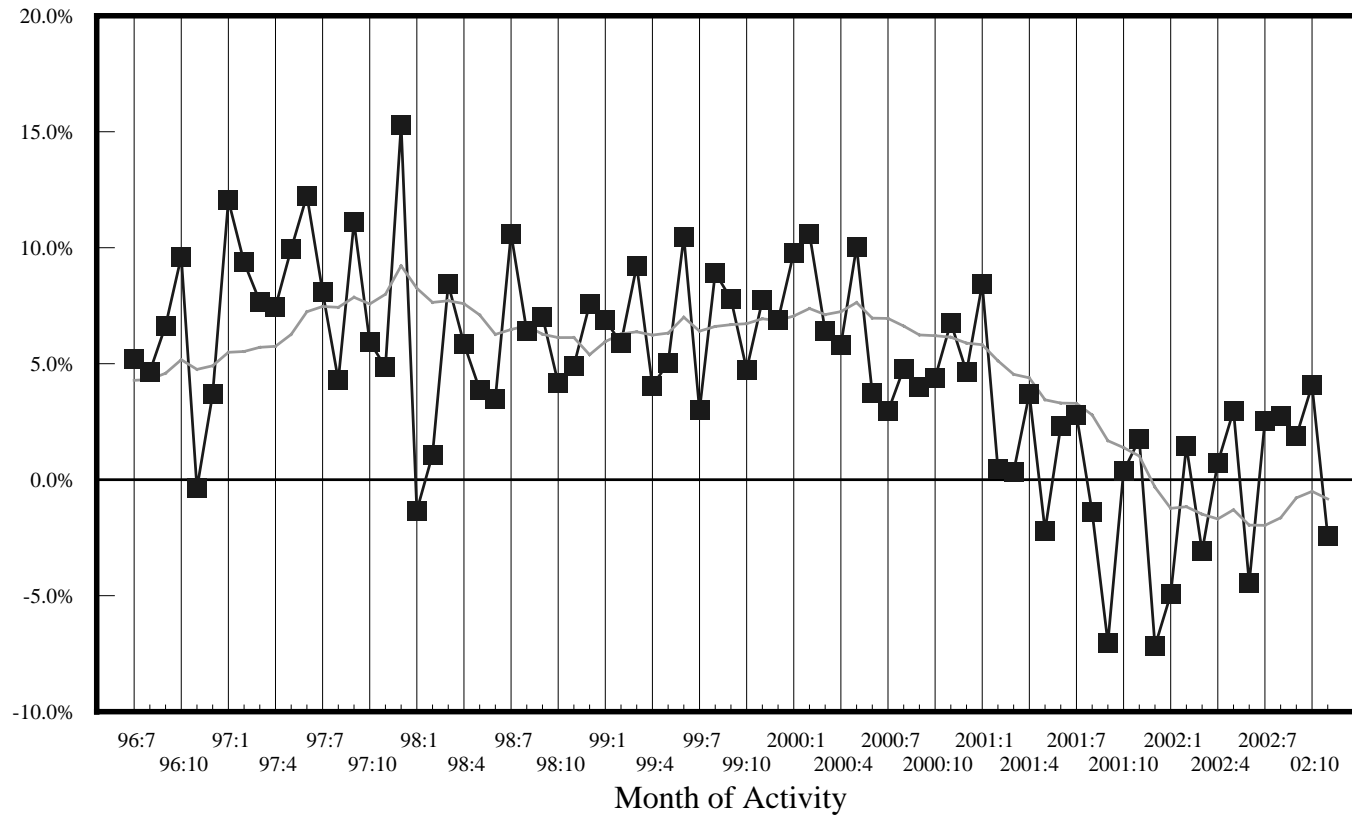
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to December 2002



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors